

Indirect Purchasing

Lehmann&Voss&Co. KG

The automation of procurement processes as an important factor for efficient indirect purchasing management

A lack of transparency, maverick buying and a complex and therefore cost-intensive process are the greatest challenges when procuring indirect material. The SME Lehmann&Voss&Co. has restructured its purchasing with Mercateo and achieved a six-figure saving as a result.

Whether a company orders raw materials worth €100,000 or a bolt worth a few cents, the workload and costs involved are almost identical for each order. To cover this requirement, each order needs a supplier, quotes have to be obtained, the master database has to be updated, the order has to be placed and the invoice scanned, filed and paid. The entire purchase-to-pay process is often considerably more extensive.

A further aspect is that several people are generally involved in the procurement process. When procuring indirect material, the costs are very high though due to the comparatively low value of the goods in relation to the costs. In addition, there is often a lack of transparency with procurement in this segment as the system is frequently bypassed when purchasing small parts.

Efficient purchasing requires structure

For the SME Lehmann&Voss&Co. a lack of transparency and a cost-intensive process were two of the undesirable side effects of non-automated purchasing to date when procuring indirect material. The management board saw an urgent need for action here and appointed an experienced strategic purchaser, Benjamin Storm, who had previously worked in this position at tesa SE. Storm's challenge was to restructure the procurement process at the global chemical company and first and foremost introduce transparency into indirect purchasing management. Maverick buying and a lack of transparency were just the tip of the iceberg. Automated invoicing did not exist at all. Although an electronic circular had already been established, the majority of invoices were without an order reference back then. Creating and updating master data was extremely time-consuming.

Mercateo exclusive catalogues

Mercateo offers companies a catalogue management solution with which you can integrate your regular suppliers' catalogues as exclusive catalogues and configure them totally according to your requirements. These framework contracts are only visible in your company's exclusive, personalised view.

Benefits:

- ✓ Simple, convenient catalogue management
- ✓ Quick access due to prominent placing on the homepage
- ✓ Full integration into the Mercateo search
- ✓ Transparent conditions across the whole product range
- ✓ A platform for all purchases



» Thanks to the restructured indirect material management, we were able to reduce the workload in purchasing by roughly 70 percent and as a result decrease the costs by a six-figure sum. The majority of the savings achieved can be traced back by going into partnership with Mercateo. «

Benjamin Storm, Head of Strategic Purchasing at Lehmann&Voss&Co.

Sometimes, there were several suppliers for the same items; managing them and negotiating prices with them was just as time-consuming. There was also a lack of clarity about the internal process costs. Based on a detailed analysis of the present situation, Storm identified that indirect spend makes up merely 19 percent of the total purchasing volume at Lehmann&Voss&Co. but 78 percent of the orders and 62 percent of the suppliers are necessary for procurement. The Head of Strategic Purchasing saw a dire need to restructure purchasing.

Mercateo as the heart of indirect purchasing management

Clear structures, a reduction of suppliers, orders and invoices and automated processes were supposed to drastically lower the costs for the procurement process in indirect purchasing. Benjamin Storm carried out a segmentation of the required indirect material. Using a Kanban system, the materials that always have to be in stock are now fully automatically replenished without an order having to be placed for them. Free text or blanket purchase orders as well as custom designs are still ordered using SAP. Mercateo represents the heart of indirect purchasing management. Using an EDI interface directly connected to the ERP system, Lehmann&Voss&Co. now

orders 55 percent of all its requirements for indirect material through the procurement platform. "We have more than 18.5 million items from 700 suppliers available here and despite this we have just one creditor in the system with Mercateo, that's a quantum leap in purchasing," explains Storm. "Mercateo is the all-in-one solution for purchasers, much more than just a market place where the indirect material demand can be covered. The internal competition between different suppliers allows our staff to select the provider with the best conditions without doing their own research. On average, purchases are approximately 10 to 12 percent cheaper with Mercateo." In addition, Lehmann&Voss&Co. integrated five of their regular suppliers into Mercateo, who the company did not want to do without as a result of their special services or custom-made items. By integrating them, the chemicals company can continue to use their ranges with the negotiated, cheaper prices and at the same time profits from the automated procurement process through Mercateo. What was crucial for the Head of Strategic Purchasing though was the potential for improving process costs. By integrating the procurement platform into the SAP system, all the data relevant for the order, even the regular suppliers' data, is transferred to the ERP system. Consequently, the time-consuming updating of master data is no longer required. The requester still submits their order themselves, but unlike before now directly through the SAP system where they can access Mercateo and the regular suppliers with just one click. The ordering process is automated appropriately and maverick buying is avoided.

As Lehmann&Voss&Co. also chose the processing of exclusive catalogues and self-billing, Mercateo takes care of the invoicing of all orders, including those for regular suppliers. Subsequently there are no longer any invoices



Mercateo self-billing procedure

Using the electronic self-billing process, our business customers have an alternative for paying by invoice and direct debit. In this case the invoicing is not done using a vendor invoice but through the customer using an automatically produced credit note. The customer sends this credit note to Mercateo and transfers the money. As the checking of invoices is no longer required, the administrative workload is significantly reduced for the customer.



Mercateo processing

Mercateo offers an optional service for companies with exclusive catalogues or exclusive shops of processing the orders placed via the platform. Mercateo takes care of the invoicing, support and complaints for the customer and therefore acts as a general contact and single creditor.



Lab with adjacent technology centre



Warehouse with online connection

Lehmann&Voss&Co. KG

The chemical company based in Hamburg has been developing, producing and selling chemical and mineral specialties for various industrial customers for 120 years. Founded in 1894 as a trading company, the owner-run company has developed into a high-performance global organisation with contacts to reputable, mainly foreign suppliers spanning many years and its own manufacturing facilities. The company has more than 6,500 products tailored to customers' needs in its range, from pure retail goods such as magnesia or carbon black to high-performance compounds and master batches.

» *Mercateo is the heart of our indirect purchasing management. We have access to a platform with countless items, which at the same time serves as a catalogue management system for our regular suppliers. As a result we have been able to considerably reduce the number of creditors and significantly improve the whole purchase-to-pay process.* «

Benjamin Storm, Head of Strategic Purchasing at Lehmann&Voss&Co.

required for items ordered through the procurement platform. The company only still receives invoices now for special items and free-text orders ordered through SAP so that their number could be reduced in a total from 5,000 to 1,000 and therefore the administrative workload was substantially reduced as a result.

Lower purchase costs using automated processes

Lehmann&Voss&Co. has successfully restructured its purchasing and was able to achieve a six-figure saving accordingly. By linking up with Mercateo, strategic purchasing has

already achieved the majority of its targets. The number of suppliers was significantly reduced and all the order data is transferred fully automatically into the ERP system so that there is no longer any manual entering of data required. Numerous purchase-to-pay processes are no longer required thanks to the automated processes for procuring indirect material. Clear structures in purchasing are now providing significantly greater transparency at Lehmann&Voss&Co. and ensuring that the workload and costs for ordering indirect material are considerably reduced.

- **Foundation:** 1894
- **Sector:** Chemicals
- **Legal form:**
Kommanditgesellschaft
- **Head office:**
Hamburg (Germany)
- **Management board:**
Knut Breede,
Soenke Thomsen,
Thomas Oehmichen
- **Number of employees:**
364 (2016)
- **Annual turnover:**
€ 223 million (2016)
- **Website:**
www.lehvoss.de



Mercateo is Europe's leading e-procurement platform for business customers. Companies can cover their general business and specialist requirements from a vast range through one supplier with Mercateo. In addition, Mercateo offers many functions for efficient purchasing. More information about Mercateo at www.mercateo.co.uk/corporate

Any further questions?



Simon Roberts
Country Manager UK
Phone: +44 (0) 7841 634466
simon.roberts@mercateo.com